



Mika Vidlund

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ABSTRACT

This review analyses the level of pension contributions paid in Sweden mainly in 2005. The main contribution data have also been compiled into statistics series. The aim of the review is to provide an overview of the total cost of pension financing when taking into account occupational pensions and the government's share of financing in addition to the statutory pension contributions. Pension assets and related investment operations are not included in the analysis.

Pension contributions have been compared in relation to the market and basic (factor) price GDP, as well as the wage bill and to the compensation of employees (including also the employer's social security contributions). By using different indicators, we have sought to achieve maximum comparability between the results of different countries. The review also presents examples of employee and employer pension contributions for a wage earner covered by the SAF-LO and ITP pension schemes.

All pension contributions in relation to GDP at market prices was 13.75 per cent and in relation to GDP at basic prices 15.73 per cent.

The review is part of a more extensive comparison of the total level of pension contributions in nine European countries in 2005 made by the Finnish Centre for Pensions. Besides Finland, the countries compared are Denmark, France, Germany, Great Britain, the Netherlands, Norway, Sweden and Switzerland. The data concerning the other countries will be published as separate reviews. The overall results of the comparison have been published in the publication *Pension contribution level in nine European countries* (Finnish Centre for Pensions, Working Papers 2009:1).

ABSTRAKTI

Tässä selvityksessä tarkastellaan Ruotsissa maksettujen eläkevakuutusmaksujen tasoa pääasiassa vuonna 2005. Keskeisimmät maksutiedot on koottu myös tilastosarjoiksi. Katsauksen tavoitteena on antaa kuva eläketurvan aiheuttamasta kokonaismaksurasituksesta, kun huomioon otetaan lakisääteisten eläkemaksujen lisäksi maksut lisäeläkejärjestelmiin sekä valtion osuus rahoituksesta. Eläkevarat ja niihin liittyvä sijoitustoiminta on jätetty tarkastelun ulkopuolelle.

Eläkemaksuja on verrattu suhteessa markkina- ja tuottajahintaiseen bruttokansantuotteeseen sekä palkkasummaan ja työnantajan sosiaaliturvamaksut sisältävään palkansaajakorvaukseen. Eri mittareilla on pyritty mahdollisimman vertailukelpoiseen tulokseen eri maiden välillä. Katsauksessa on lisäksi esitetty esimerkkilaskelmia eläkemaksuista SAF-LO ja ITP-eläkejärjestelmään kuuluvasta palkansaajasta.

Markkinahintaiseen bruttokansantuotteeseen suhteutettuna kaikkien eläkevakuutusmaksujen osuus oli 13,75 prosenttia ja suhteessa tuottajahintaiseen bruttokansantuotteeseen 15,73 prosenttia.

Selvitys on osa Eläketurvakeskuksessa laadittua laajempaa eläkemaksujen kokonaistasoa koskevaa vertailua yhdeksässä Euroopan maassa vuonna 2005. Suomen lisäksi muut tarkastelumaat ovat Alankomaat, Iso-Britannia, Norja, Ranska, Ruotsi, Saksa, Sveitsi ja Tanska. Muita maita koskevat tiedot julkaistaan erillisinä katsauksina. Kokonaistulokset on esitetty julkaisussa *Pension contribution level in nine European countries* (Finnish Centre for Pensions, Working Papers 2009:1).

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1 Introduction

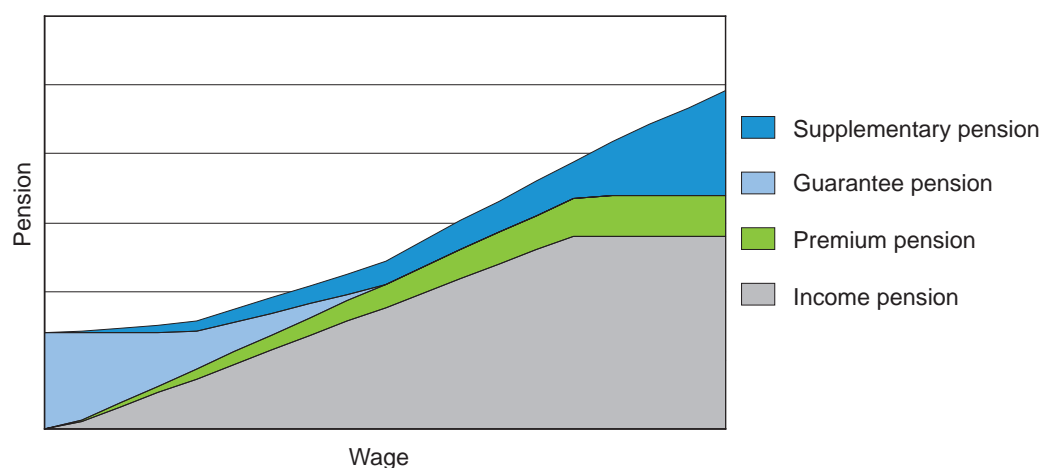
The Swedish old-age pension scheme, which was reformed in 1999, consists of an earnings-related pension and, to secure a minimum income, a guarantee pension. The earnings-related pension is a defined-contribution pension and is divided into two parts: the income pension and the premium pension. The earnings-related pension covers all wage earners and self-employed persons. The earnings-related pension will take effect gradually, and the defined-benefit supplementary pension (formerly ATP) of the old pension scheme will partly remain in force over the transition period.

Like the former national pension, the guarantee pension covers everyone who is resident in the country, and the pension is linked to the number of years of residence. The earnings-related pension reduces the guarantee pension, so that when the earnings-related pension is high enough, no guarantee pension is paid.

Other benefits paid from the pension scheme are survivors' pensions. Disability pensions are paid from the sickness insurance scheme.

In addition to the statutory pensions Sweden has very extensive occupational pensions for both public and private-sector wage earners. Membership in the schemes is mandatory for all employers and employees who work in the relevant industries. The occupational pension schemes cover over 90 per cent of wage earners.

Figure 1. Structure of the Swedish old-age pension scheme.



2 Pension contribution level in 2005

The following tables describe the total premium income for pensions in relation to the compensation of employees and the wage sum as well as to GDP in 2005. The compensation of employees amounted to SEK 1,483,669 million (approx. 159.899 billion euros¹), of which the employer's social security contributions amounted to SEK 403,325 million (approx. 27%). The wage sum amounted to SEK 1,080,344 million (approx. 116.46 billion euros). Swedish GDP at market prices amounted to SEK 2,670,547 million (approx. 287.812 billion euros) and GDP at basic (factor) prices to SEK 2,330,240 million (approx. 251.136 billion euros) in 2005.

Table 1. *Pension contributions in relation to wages in 2005.*

Contribution	Premium income/ compensation of employees ^a	Premium income/ wage sum
Wage earner's general pension contribution	5.04%	6.92%
– on earnings	4.53	6.22
– on income transfers	0.51	0.70
Employer (incl. self-employed persons)	13.05%	17.92%
– old-age pension contribution	7.34	10.08
– on income transfers	0.72	0.98
– "disability pension contribution"	3.77	5.18
– survivors' pension contribution	1.22	1.68
Share of tax financing	2.18%	3.01%
– guarantee pension (incl. old-age and survivors' pension)	0.82	1.13
– unpaid periods (pensionsgrundande belopp)		
+ the share paid by the State for income transfers financed from tax revenues (employer's share)	0.44	0.61
– "disability pension"	0.92	1.27
Occupational pension contributions	4.45%	6.11%
Total	24.72%	33.96%

a) Includes also the employer's social security contributions.

Table 2. *Pension contributions in relation to GDP in 2005.*

Contribution	Premium income/ GDP ^a	Premium income/ GDP ^b
Wage earner's general pension contribution	3.20%	2.80%
– on earnings	2.88	2.52
– on income transfers	0.32	0.28
Employer (incl. self-employed persons)	8.31%	7.26%
– old-age pension contribution	4.67	4.08
– on income transfers	0.46	0.40
– "disability pension contribution"	2.40	2.10
– survivors' pension contribution	0.78	0.68
Share of tax financing	1.39%	1.22%
– guarantee pension (incl. old-age and survivors' pension)	0.52	0.46
– unpaid periods (pensionsgrundande belopp)		
+ the share paid by the State for income transfers financed from tax revenues (employer's share)	0.28	0.25
– "disability pension"	0.59	0.51
Occupational pension contributions	2.83%	2.47%
Total	15.73%	13.75%

a) GDP at basic (factor) prices.

b) GDP at market prices.

1 1 EUR = 9.2788 SEK.

3 Financing of the statutory pension scheme

In connection with the 1999 pension reform the financing of the pension scheme was changed fundamentally. Through the reform, for instance, old-age pensions were disconnected from other social insurance benefits to its own type of insurance, survivors' pensions were transferred to the national budget, as were disability pensions, which are part of sickness insurance. Guarantee pensions are financed from general tax revenues.

3.1 Employers' and employees' social insurance contributions

The social insurance contributions levied from the employer totalled 32.46 per cent in 2005. The contributions levied from self-employed persons totalled 30.89 per cent (see table 3). The employer contribution is levied on the whole wage. The employer contribution levied for the share of the wage which exceeds the earnings ceiling is transferred to government funds.

The only contribution levied from the employee is the general pension contribution. The employee contribution is 7 per cent of the wage, and the contribution is levied on the share of the wage which does not exceed the earnings ceiling. The earnings ceiling (8.07 times the income base amount²) was SEK 349,430 (approx. 37.660 €) per year in 2005 (SEK 387,360, approx. 42,100 €, in 2008).

Table 3. *Employer's and self-employed person's statutory social insurance contributions in 2005 (2008).*

Social insurance contributions	Employer, %	Self-employed person, %
Old-age pension contribution	10.21	10.21
Survivors' pension contribution	1.70	1.70
Sickness insurance contribution	10.15 (8.64)	11.12* (7.93)**
Parents' insurance contribution	2.20	2.20
Workers compensation contribution	0.68	0.68
Labour market contribution	4.45	1.91
General payroll contribution	3.07 (4.40)	3.07 (4.40)
Total	32.46 (32.42)	30.89 (30.71)

* Self-employed person's sickness insurance contribution, without waiting period. The contribution amounts to 8.92 per cent, if the waiting period is 3 days and 7.72 per cent, if the waiting period is 30 days.

** Self-employed person's sickness insurance contribution, if there is no waiting period. The contribution amounts to 6.67 per cent, if the waiting period is 3 days and 6.00 per cent, if the waiting period is 30 days.

- 2 The base amount (basbelopp) is a key concept in the whole Swedish social insurance. The contribution limits and most pension benefits are linked to the base amount and are determined as a percentage of the base amount. When determining the benefits three base amounts are used: price base amount, increased price base amount and income base amount.

The price base amount (prisbasbeloppet, PBB) is adjusted annually, usually in line with the development in consumer prices. However, in 1991–98 the whole change in consumer prices was not taken into account when adjusting pensions in payment. For this reason, the increased price base amount (det förhöjda prisbasbeloppet) was introduced. This base amount was adjusted for the whole change in consumer prices also in 1991–98. In 2008 the price base amount was SEK 41,000 and the increased price base amount SEK 41,800.

When determining the earnings which the earnings-related old-age pension is based on the income base amount (inkomstbasbeloppet) has been used since 2001, and the amount is adjusted in line with an earnings index which follows the development in wages (inkomstindex). Incomes also include taxable social insurance benefits, such as sickness allowance, parent's allowance and unemployment allowance. The income base amount amounted to SEK 48,000 in 2008.

3.2 Old-age pension scheme

3.2.1 Earnings-related pension

In the old-age pension scheme the income pension component of the earnings-related old-age pension is based on pay-as-you-go financing. The premium pension is based on full funding. The pensions are financed through employee and employer contributions. In addition, the State finances pensions for periods for which pension accrues on the basis of calculated earnings (e.g. periods of child care).

The earnings-related old-age pension is based on a contribution of a fixed percentage, which is 18.5 per cent of the pensionable earnings, i.e. the earnings from which the employee's pension contribution has been deducted. 2.5 percentage points of the contribution are transferred to funds chosen by the insured for the premium pension. Calculated in relation to the gross wage the employee contribution is 7 per cent and the employer contribution 10.21 per cent, i.e. in total 17.21 per cent.

As regards the share of the wage which falls below the earnings ceiling the old-age pension contributions are allocated to the Swedish pension buffer fund, the so-called general pension fund (AP-fonden), whose assets are reserved exclusively to finance the earnings-related old-age pension. The employer contribution levied on the part of the wage which exceeds the earnings ceiling is transferred to government funds. The buffer fund consists of five administratively separate funds: 1st–4th and 6th AP fund. However, the old-age pension contributions are allocated only to the first four of these funds. One-fourth of the premium income for old-age pensions is allocated to each of these funds and they are correspondingly used to finance old-age pension expenditure. Thus these funds constitute a coherent buffer fund despite the decentralisation. At the end of 2005 the market value of all five AP funds was approximately SEK 769 billion, about 30 per cent in relation to GDP.

The state 7th AP fund (Sjunde AP-Fonden), which administers the premium pensions, is not part of the buffer fund. The market value of the fund was approximately SEK 60 billion in 2005. The total amount of assets in the funds of the premium pension scheme was approximately SEK 193 billion at the end of 2005.

Table 4. AP old-age pension funds in 2005, million SEK.

AP1.	AP2.	AP3.	AP4.	AP6.	Total
187 263	190 593	191 950	180 098	15 126	769 160*

* Includes the separate component administrated by the 1st and 4th AP fund: 4,160 million.
Source: Årsredovisning 2005.

The premium incomes of the income pension scheme totalled SEK 179,552 million, i.e. about 16.62 per cent in relation to the wage sum in 2005. Premium incomes were allocated to the premium pension scheme to an amount corresponding to approximately 2.2 per cent of the wage sum.

The premium income from the wage earner's general pension contribution was SEK 74,762 million, including the wage earner's share of the premium income levied on income transfers: SEK 7,547 million.

The premium income from the employer's old-age pension contribution totalled SEK 108,859 million in 2005. Of this amount approximately SEK 77.3 billion were transferred to the income pension scheme, including the self-employed persons' share of approximately SEK 2.26 billion in the premium income. Of the employers' premium incomes the amount transferred to the premium pension scheme was SEK 20,230 million, including self-employed persons' premium incomes of approximately SEK 595 million.

Table 5. *Premium incomes for old-age pensions in the income pension scheme in 2004–2007, million SEK.*

	2004	2005	2006	2007 (forecast)
Employer contribution (incl. self-employed persons)	73 421	77 277	81 180	86 042
General pension contribution	72 287	74 762	75 098	80 094
On income transfers	24 004	26 450	26 564	23 698
Total	171 600	179 552	183 624	190 894

Source: FK Analyserar 2006:8, 61 and 2007:5; Pensionssystemets årsredovisning 2005.

Table 6. *Premium incomes for old-age pensions in the premium pension scheme in 2004–2007, million SEK.*

	2004	2005	2006	2007 (forecast)
Pension premium income*	20 021	23 805	26 033	27 119

* Includes, in addition to employer's and self-employed person's premium income, also unpaid periods and transfers from income transfers.

Source: FK Analyserar 2006:8, 62; Pensionssystemets årsredovisning 2005.

The employer's contribution share levied on income transfers and the share in premium income of income transfers and unpaid periods financed by the State totalled SEK 30,091 million in 2005. Of this amount SEK 26,450 million were allocated to the income pension scheme and SEK 3,575 million to the premium pension scheme.

The premium income from income transfers (e.g. sickness allowance, unemployment allowance, parental allowance) totalled SEK 10,910 million. The State's share of income transfers is small, as it pays the employer's share of the income transfers which are financed from tax revenues³ and the premium income levied on them totalled SEK 254 million. The employer finances the rest in connection with the other social security contributions.

Pension also accrues for certain periods for which the insured person does not have income of the aforementioned type. In that case the basis for the pension and the pension contribution is the calculated earnings (pensionsgrundande belopp, PGB). The State's share as regards unpaid periods (other than income transfers), i.e. periods of childcare (4,319 million), study (1,850 million) and military service (172 million) totalled SEK 6,341 million.

3 Vårdbidrag, utbildningsbidrag, konstnärsnämnden, smittbärrpenning.

Calculated premium incomes for pensions also accumulate for the period of payment of sickness and activity compensation, which correspond to the disability pension. The calculated earnings are determined on the basis of the difference between the earnings which the earnings-related compensation was based on and the paid compensation. The calculated premium incomes amounted to SEK 12,840 million in 2005. In the calculations in this report this premium income is included as part of the employer contribution that is levied in order to finance disability pensions (for further details, see disability pension).

The old-age pension expenditure of the income pension scheme amounted to approximately 6.4 per cent in relation to GDP in 2005. The expenditure of the premium pension scheme amounted to 0.013 per cent.

Table 7. *Old-age pension expenditure of the income pension scheme in 2004–2007, million SEK.*

	2004	2005	2006	2007 (forecast)
Pension expenditure	162 783	169 071	176 132	185 533
- Supplementary pension (tilläggs pension)	159 217	162 564	165 970	170 504
- Income pension (inkomst pension)	3 566	6 507	10 162	15 029
*Total	167 499	171 160	178 233	187 285

* The total amount includes also other expenditure items (e. g. administrative costs).

Table 8. *Pension expenditure of the premium pension scheme in 2004–2007, million SEK.*

	2004	2005	2006	2007 (forecast)
Premium pension (premie pension)	42	104	231	414
Administrative costs	221	252	296	286
Total	263	356	572	700

Source: FK Analyserar 2006:8, 62 and 2007:5.

3.2.2 Guarantee pension

The guarantee pension is financed from general tax revenues. The old-age pension expenditure amounted to SEK 22,448 million in 2005 (approx. 0.8% in relation to GDP). The calculations in this report assume that the employer's premium income which exceeds the ceiling is used to finance the costs for old-age pensions granted from the guarantee pension scheme. The employer's old-age contribution for the share which exceeds the earnings ceiling and which is therefore to be transferred to the national budget amounted to SEK 11,352 million, including the self-employed persons' share in the premium income of SEK 364 million.

Table 9. *Proportion of the old-age pension contribution allocated to the national budget and old-age pension expenditure of the guarantee pension scheme financed from the national budget in 2004–2007, million SEK.*

	2004	2005	2006	2007 (forecast)
From the old-age contribution to the budget	12 462	11 352	11 576	12 193
Proportion financed through tax revenues	11 402	11 138	9 835	8 303
Old-age pension expenditure of the guarantee pension scheme	23 732	22 448	21 339	20 436

Source: FK Analyserar 2006:8, 27 and 63 as well as 2007:5.

3.3 Survivors' pension scheme

Survivors' pensions are financed through the State budget. A survivors' pension contribution is levied from employers and self-employed persons, amounting to 1.7 per cent of the total wage sum. Since 2003 the contribution is only used to cover earnings-related survivors' pensions. The contribution also covers most of the administrative costs. The guarantee component of the survivors' pension is financed through tax revenues. In recent years the premium income has exceeded the pension expenditure. The survivors' pension expenditure amounted to 0.64 per cent in relation to GDP in 2005.

Table 10. *Total premium income of the survivors' pension scheme in 2004–2007, million SEK.*

	2004	2005	2006	2007 (forecast)
Survivors' pension contribution	17 577	18 164	19 206	21 406
State's share (guarantee component)	1 228	1 052	992	833
Total	18 805	19 215	20 198	22 239

Source: FK Analyserar 2006:8, 59; Analyserar 2007:5, 50.

Table 11. *Total pension expenditure in 2004–2007, million SEK.*

	2004	2005	2006	2007 (forecast)
Survivors' pensions	16 987	16 903	16 840	16 772
Administration	146	119	93	89
Total	17 132	17 022	16 932	16 862

Source: FK Analyserar 2006:8, 59; Analyserar 2007:5, 50.

Table 12. *Financing of total pension expenditure in 2004–2007, million SEK.*

	2004	2005	2006	2007 (forecast)
Contributions	15 904	15 971	15 940	15 947
State's share (guarantee component)	1 228	1 052	992	915
Total	17 132	17 022	16 932	16 862

Source: FK Analyserar 2006:8, 59; Analyserar 2007:5, 50.

3.4 Disability pension scheme

Sweden has no disability pension scheme as such. Since the beginning of 2003 the sickness compensation (sjukersättning) and young people's activity compensation (aktivitetsersättning), which are paid from the sickness insurance scheme, have replaced the previous disability pension payable from the pension scheme (förtidspension) and the sickness benefit paid as a temporary disability pension (sjukbidrag). The earnings-related sickness and activity compensations are financed through sickness insurance contributions. The employer pays sickness insurance contribution on the whole wage sum. The contribution also covers the State's old-age pension contribution (statlig ålderspensionsavgift). The guarantee component is financed through tax revenues.

Table 13. Sickness insurance contribution in 2004–2007.

	2004	2005	2006	2007
Employer	11.08%	10.15%	8.64%	8.78%
Self-employed	11.81%*	11.12%*	9.61%*	9.61%*

* Contribution without waiting period. Contributions are lower, if the waiting period is longer (maximum 30 days).

In order to estimate the premium income for disability pensions the expenditure share which can be classified as disability pensions has been separated from the total expenditure of the sickness insurance scheme. The disability pension expenditure, and correspondingly premium incomes, amounted to approximately 2.6 per cent in relation to GDP in 2005.

Table 14. Disability pension expenditure payable from the sickness insurance scheme in 2004–2007, million SEK.

	2004	2005	2006	2007 (forecast)
Förtidspension/ sjuk- och aktivitetsersättning	54 135	56 792	57 491	57 975
Statliga ålderspensionsavgifter (as regards disability pensions)	10 050	12 840	12 655	10 495
Total	64 185	69 632	70 146	68 470

Source: FK Analyserar 2006:8, 48; FK Analyserar 2007:5; FK Budgetunderlag 2006
http://www.forsakringskassan.se/omfk/styrning/budget/budgetunderlag/dokument/2007_09_budgetunderlag_del2.pdf.

4 Occupational pension schemes

In Sweden occupational pension schemes based on labour market agreements cover about 90 per cent of wage earners. The four largest schemes cover approximately 80 per cent of wage earners. The most extensive occupational pension schemes in the private sector are the supplementary pension scheme for white-collar workers ITP and the pension scheme SAF-LO. In addition to these, for instance the banking and insurance sector as well as the cooperative system have their own occupational pension schemes. In the SAF-LO scheme the pension is determined as a defined-contribution pension. By contrast, in the ITP scheme the pension was determined as a defined-benefit pension at the time of comparison, and it has been supplemented by the defined-contribution pension ITPK (ITP-Komplettering), which amounts to 2 per cent of the wage. In 2007 the ITP was changed into a defined-contribution scheme. The reform concerns persons born after 1978.

Public-sector employees have their own arrangements based on labour market agreements. The most extensive occupational pension scheme for state employees is PA-03 Tjänstepension and for local government employees the KAP-KL scheme. In the occupational pension schemes for state and local government employees the pension is partly determined as a defined-benefit pension and partly as a defined-contribution pension. The following table describes the main features of the schemes.

Table 15. Swedish supplementary pension schemes.

Agreement	The agreement covers	Defined-benefit/ contribution	Benefit/contribution*
SAF-LO	Private-sector employees from age 21	Defined-contribution	3.5% of the wage
ITP2 ITPK	Private-sector white-collar workers from age 28	Defined-benefit	10% of the basis < 7.5 TPM 65% of the basis 7.5–20 TPM 32.5% of the basis 20–30 TPM
		Defined-contribution	2% of the basis
ITP1 (new)	Private-sector white-collar workers from age 25 (persons born in 1979 and later)	Defined-contribution	4.5% of the basis < 7.5 TPM 30% of the basis > 7.5 TPM
KAP-KL	Local government employees from age 28	Defined-benefit	55% of the basis 7.5–20 TPM 27.5% of the basis 20–30 TPM
	Local government employees from age 21	Defined-contribution	3.5–4.5% of the wage (in 2010 4.5% for everyone)
PA 03	State employees from age 28	Defined-benefit	60% of the basis 7.5–20 TPM 30% of the basis 20–30 TPM
	State employees from age 23	Defined-contribution	2.5% of the wage
		Defined-contribution, Kåpan Tjänste	2.0% of the wage

* TPM = income base amount, which is used to determine the earnings which the earnings-related old-age pension is based on. The amount is adjusted in line with an earnings index.

4.1 Premium income of the occupational pension schemes in 2005

The data used to calculate the premium income of the occupational pension schemes are statistical data from the Swedish Financial Supervisory Authority (Finansinspektionen, FI) and Statistics Sweden (SCB). The statistical data cover the data on premium income for the key actors in the private sector (life insurance companies, funds) and the most significant actor of the local government pension scheme, the local government pension provider (KPA). In order to calculate the premium incomes for the state employees' supplementary pension scheme the statistics are supplemented by statistical data published by the National Government Employees Pensions Board (Statens Pensionsverk SPV) and the association which administrates premium pensions (Kåpan Pensioner).

In recent years private and public-sector pension schemes have to an increasing extent been changed towards defined-contribution schemes, and at the same time personal pension accounts based on the insured person's own choice have been introduced. This trend has at the same time meant a decentralisation of the administration. In the public sector SPV is still the key administrative authority as regards state employees' occupational pensions, as is the local government pension provider (KPA) in the case of local government employees' pensions. KPA administrates approximately 80 per cent of the local government pensions.

In the private sector the administration of ITP pension insurance has in practice been monopolised by the pension insurance company Alecta. Still, as regards the defined-contribution ITPK the insured person has been able to freely invest also in other companies. Alecta is still a key actor, even though after the ITP pension reform the insured person may himself decide where he wants to invest his pension assets.

For their part, the insured covered by the SAF-LO agreement have since 1998 been able to choose where their pension capital is invested. Before this, pension provision for everyone was handled by the insurance company AMF Pension. Also nowadays, if the insured person does not make any choice as to the investment of the pension assets, pension insurance is arranged with AMF Pension.

4.1.1 Premium incomes of the state employees' pension provider and Kåpan Pensioner

The State's newest (PA-03) and the old occupational pensions still in force (PAs⁴) covered 256,706 insured persons and the premium income for pensions amounted to SEK 5,944.8 million in 2005. The pension expenditure of SPV amounted to SEK 6,088.7 million in 2005 (SPV 2005; Sjögren Lindquist and Wadensjö 2007).

Kåpan Pensioner (previously until 2005 called Försäkringsföreningen för det statliga området, FSO), which is responsible for the administration of the defined-contribution premium pension (Kåpan) of the state employees' occupational pensions (PA-03 and PA-91), is, for instance, the place where premium income assets are invested, if the insured person does not make an

4 PA-03 (242,670 insured), PA-91 and PA-74 (14,036 insured), TA: avtalet om trygghetsfrågor för händelser inträffade före 1999.

“active” choice as regards the investments. Kåpan Pensioner has over 550,000 insured persons and the premium income amounted to approximately SEK 2.4 billion in 2005. The following tables specify in more detail the division of the premium income and pension expenditure into different defined-contribution occupational pension schemes for state employees.

Kåpan Ålderspension is a component of the state employees’ occupational pension which the insured person may invest freely and follows the PA-03, i.e. the newest agreement from 2003. It covers state employees from the age of 23 and the employer’s premium pension contribution is 2.5 per cent of the wage. Kåpan Tjänste is a supplementing defined-contribution pension, where there is no corresponding choice by the insured person. The employer’s premium pension contribution is 2 per cent and the arrangement covers state employees from the age of 23. In local negotiations the employers and the federations of trade unions may in Kåpan Extra further agree on more generous term than in Kåpan Tjänste. In addition, the insured may take out personal pension insurance, through which the collective occupational pension (Kåpan Plus) may be supplemented. Kåpan Pensioner also administrates the defined-contribution ITPK pension for the Swedish Post.

Table 16. *Premium incomes for Kåpan in 2005–2006.*

	2005	2006
Kåpan Tjänste	1 416	1 531
Kåpan Extra	56	65
ITPK-P (posten)	34	33
Kåpan Plus	128	134
Kåpan Ålderspension	767	925
Total	2 401	2 688

Table 17. *Pension expenditure for Kåpan in 2005–2006.*

	2005	2006
Kåpan Tjänste	322	366
Kåpan Extra	8	10
ITPK-P (posten)	7	10
Kåpan Plus	51	53
Kåpan Ålderspension	-	-
Total	388	439

The premium income of the main actors of the state employees’ occupational pension scheme, SPV and Kåpan, totalled SEK 8,217.8 million in 2005, when personal pension insurance (Kåpan Plus) is excluded from the analysis.

4.1.2 Premium income of the local government and private-sector occupational pension schemes

The current agreement concerning the local government occupational pension scheme (KAP-KL) was made in 2006, when it replaced the preceding PFA from 1998. As to its main principles, the current agreement does not differ from the previous one. The pension is determined as a defined-contribution pension for the part of the earnings which fall below the statutory earn-

ings ceiling, and for the part which exceeds the ceiling the insured person accrues a pension as a defined-benefit pension. The insured person may invest the defined-contribution premium pension in the company of his choice. KPA Pension is the main actor in the local government occupational pension scheme with its approximately one million insured persons. The PFA pension premium income of KPA amounted to SEK 4,547 million in 2005 (2006: KAP-KL premium income 3,979 million). The KPA group also includes the fund management company KPA Fondförsäkring, which had premium incomes totalling approximately SEK 455 million in 2005 (2006: 373 million). The contribution share of the PFA scheme was approximately SEK 429 million, and the rest of the contributions came from PA-03, ITPK and personal fund savings. In 2006 the share of KAP-KL was approximately SEK 342 million.

Following the pension reforms and decentralisation of the administration in recent years it is more difficult than ever to make a distinction between different sectors. Nowadays contributions of the local government and the state employees' occupational pension schemes are allocated to the same market as the actors which handle private-sector occupational pensions and which compete with each other. In order to obtain a broad picture of the whole, the statistics Försäkringsbolagen published by Statistics Sweden and the Swedish Financial Supervisory Authority are used in this report. The publication includes data on the 42 fund management and life insurance companies which administrate supplementary pensions (incl. also e.g. KPA). According to these statistics, the premium incomes of the occupational pension schemes totalled SEK 47,633.5 million in 2005. The premium incomes vary pretty significantly in different years. In a statistical time series comparison the premium income for 2005 appears exceptionally low.

Table 18. Insurance companies' premium income for occupational pensions in relation to the wage sum for the relevant year in 2003–2006.

Year	Premium income (million SEK)	Premium income/wage sum
2003	50 956	5.01%
2004	54 725	5.25%
2005	47 634	4.41%
2006	69 889	6.13%

Source: SCB; FI.

The premium income of pension funds which administrate occupational pensions and which are not included in the statistics Försäkringsbolagen amounted to SEK 6,576 million in 2005 (2006: 7,444 million) (Försäkringsförbundet; SCB). In total the premium incomes of private and public-sector occupational pension schemes amounted to SEK 62,427.3 million, about 5.8 per cent in relation to the wage sum in 2005.

4.1.3 Book reserves

The employer may also arrange ITP pension insurance with a company pension fund or through book reserves in the FPG/PRI scheme. If the ITP pension is financed on the basis of book reserves, the company should take out credit insurance for the pension liabilities with

the insurance company FPG (Försäkringsbolaget Pensionsgaranti). Since FPG requires that the companies are sufficiently creditworthy, it is mainly large and middle-sized companies which have arrangements based on book reserves. PRI (Pensionsregistreringsinstitutet) is the administrative unit which handles the calculation and registration of pension liabilities of pension arrangements based on book reserves as well as pays the pensions. The employer compensates the paid pensions to PRI.

Approximately 1,400 companies have arranged occupational pension provision through book reserves. In total about 35 per cent (approx. 200,000 persons) of those insured in the ITP scheme. Pension expenditure amounted to SEK 3.1 billion in 2005. As regards FPG/PRI the comparisons include the technical premium income for pensions, which can be compared to the premium income which the employer would have paid to Alecta, if the occupational pension had not been arranged with FPG/PRI. In 2005 the technical premium income for pensions amounted to SEK 3.6 billion (3.7 billion in 2006).

Table 19. Key indicators of the FPG/PRI scheme.

	2004	2005	2006
Client companies	1 450	1 400	1 330
Pension liability (billion)	94.9	100	105.6
Insured	443 300	448 700	456 200
Old-age pensioners	85 100	88 800	95 000
Pension expenditure (billion)	2.9	3.1	3.4

Source: PRI.

5 Examples

Examples of the pension contributions for a wage earner covered by the SAF-LO and ITP pension schemes are presented in the following. The occupational pension schemes are in their entirety financed by the employers.

In the SAF-LO scheme the actual pension contribution is 3.5 per cent of the wage. However, the contribution does not include disability benefits, which are paid from the AGS sickness insurance scheme. The total contribution in SAF-LO was 5.66 per cent in 2005.

The social partners have agreed that the SAF-LO pension contribution will be increased to the same level as in the new defined-contribution ITP scheme. The contribution will thus rise to 4.5 per cent for the part of the wage which falls below the statutory earnings ceiling (SEK 360,000 per year), and for the part which exceeds the ceiling a pension contribution of 30 per cent is levied. The contribution will be increased gradually and in 2008 the contribution rates were 3.9 and 6.0 per cent. The contribution is increased annually, so that the targeted level is reached by 2012.

The ITP pension contribution is determined individually on actuarial grounds and the contribution varies according to the insured person's age, wage level and previously accrued pension rights. The contribution includes old-age, survivors' and disability pensions. The pension contribution is usually 5–20 per cent of the wage. The average ITP pension contribution to Alecta was 5.88 per cent (+ 2% ITPK) in 2005 (Sjögren Lindquist and Wadensjö 2007, 151). The pension contribution increases especially for persons aged 28 and over, when entitlement to old-age and survivors' pensions arises, and for those whose earnings exceed the statutory earnings ceiling. The total ITP contribution levied from persons aged under 28 was 1.9–5.1 per cent of the wage, depending on the amount of earnings. For the ITP old-age pension contribution certain upper limits have been determined, and in 2005 they were 5.25 per cent of the wage up to 7.5 times the income base amount and 50 per cent of the wage for the part which exceeds this limit up to 30 times the income base amount.

Table 20. Contributions in private-sector occupational pension schemes in 2005.

SAF-LO		ITP	
SAF-LO occupational pension		ITP pension contribution	approx. 13.4% ^d
- pension contribution	3.50% ^a	TGL group life insurance	approx. 0.2%
- waiver of premium cover	0.00% ^b	TFA workers compensation	0.01%
TFA workers compensation	0.26%	TRR, unemployment insurance	0.3%
TGL group life insurance	0.37%		
Unemployment insurance	0.09%		
AGS sickness insurance	1.44% ^c		
Total	5.66%	Total	approx. 13.9%

a) From the age of 21.

b) Contribution not levied in 2005. In 2006: 0.65 per cent.

c) Only levied on the part of the wage which falls below the earnings ceiling.

d) Includes ITPK. Forecast at the beginning of the year; Contribution usually 5–20 per cent.

Source: Svenskt Näringsliv 2005.

The wage used in the examples is the average wage according to the OECD Economic Outlook database, according to which the average wage in 2005 was SEK 316,602 (approx. 34,121 €), i.e. approx. SEK 26,384 (approx. 2,843 €) per month.

The calculations include, in addition to the old-age and survivors' pension contributions, the share estimated as disability pension contribution on the basis of sickness insurance expenditure (5.73%). In the SAF-LO scheme the AGS contribution has been added as part of the total contribution rate.

Table 21. Total pension contributions in 2005, % of gross wage (SAF-LO scheme).

x average wage	Employer	Employee	Total
1.0	22.48	7.0	29.48
2.0	21.81	3.86	25.67

Table 22. Total pension contributions in 2005, % of gross wage (ITP scheme*).

x average wage	Employer	Employee	Total
1.0	24.14	7.0	31.14
2.0	34.64	3.86	38.50

*Assumption 28-year-old white-collar worker without previous occupational pension provision.

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